

Top Secret 219

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NATIONAL INTELLIGENCE DAILY CABLE

Friday 11 November 1977

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National Intelligence Daily Cable for Friday, 11 November 1977

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The NID Cable is for the purpose of informing senior US officials.

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OPEC: Impact of Oil Price Rise

25X1 [] //No foreign government is likely to beat the drums against an oil price increase despite the potential negative impact on its economy. Most developed countries are convinced they would have little influence on the Organization of Petroleum Exporting Countries, even if acting in concert with the US. Developing countries will not take an open stand against OPEC and certainly would not join in a US appeal, even though many might privately welcome it.//

25X1 [] //The developed countries maintain that only the US can have an impact on OPEC decisionmaking. They believe the key to Washington's influence is its role in the Arab-Israeli dispute. These governments also cite increasing US demand for imported oil as the chief economic pressure behind an OPEC price rise. In their view, the lack of an effective energy policy in the US undercuts any appeal to OPEC to hold the line on prices.//

25X1 [] //Since government stances toward OPEC actions are shaped more by political than economic realities, the severity of the economic impact of an oil price increase is a poor guide to a country's political response. To date, none of the developed country governments has indicated interest in a concerted move against a price hike. While several of the oil-importing developed countries might be willing to join the US in public and private appeals to OPEC, a number of others would stand aloof.//

25X1 [] //West Germany, Japan, and Canada probably would be receptive in varying degrees to a US initiative to forestall an OPEC price rise. The West Germans believe an appeal would carry little weight, however, particularly in view of the failure of the US to curb its demand for imported oil. The Japanese, determined to avoid even the appearance of a confrontation with their Arab suppliers, probably would endorse a demarche only if it were supported by numerous other developed countries.//

25X1 [] //The Canadians have few political hangups regarding the Middle East and probably would urge OPEC restraint. Ottawa already is dipping into general tax revenues to subsidize prices in oil-short eastern Canada.//

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[] //Among the smaller developed countries with large current-account deficits, Austria and Denmark would probably support an appeal to OPEC. Both are relying on export growth to pull their economies out of the doldrums and thus fear the adverse effect of an oil price rise on their trading partners. Portugal might be persuaded to go along but would need prodding. Lisbon is likely to be extremely cautious in the wake of Arab reaction to its recent recognition of Israel.//

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[] //A number of other developed countries see no advantage to be gained from a plea by consumer countries to OPEC.

- The French probably would shun what they would consider a futile gesture that inevitably would smack of confrontation.
- The Italians want to preserve their perceived role as a bridge between the Middle East - North Africa and Western Europe and would be reluctant to join in any action that might jeopardize this role or the numerous barter deals Italian firms have arranged with OPEC countries.
- The Spanish, who do not recognize Israel and took a pro-Arab stance during the 1973 war, probably could not be persuaded of the value of an appeal to OPEC. Madrid has received about \$150 million in loans from Saudi Arabia this year and does not want to close the door to future borrowing.
- The Turks would be unlikely to work against a price rise for fear of losing what few benefits they receive from their concessionary oil contract with Iraq.//

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[] //The UK and Norway probably consider silence the best policy. Norway already is a net oil exporter, and Britain is expected to become a net exporter by 1980. Both have consistently pegged their own oil prices to those of OPEC.//

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[redacted] //Despite private grumblings about OPEC stinginess, most developing countries appear willing to suffer another 5- to 10-percent oil price rise without public protest. Any appeal by them to OPEC would be independent of the developed countries' position; the developing countries would not risk their prized political solidarity with each other and with the OPEC nations by joining a US-sponsored effort.

-- Brazil, which has the largest oil bill among developing countries, has been courting Arab favor and capital since the 1973 embargo and probably would again press OPEC for preferential treatment for all developing countries.

-- India already has privately expressed concern to OPEC members about a further price increase but is unlikely to speak out publicly against those OPEC countries that regularly provide substantial loans.

-- Mexico, a net oil exporter, would tacitly support a price hike by OPEC and then follow suit.//

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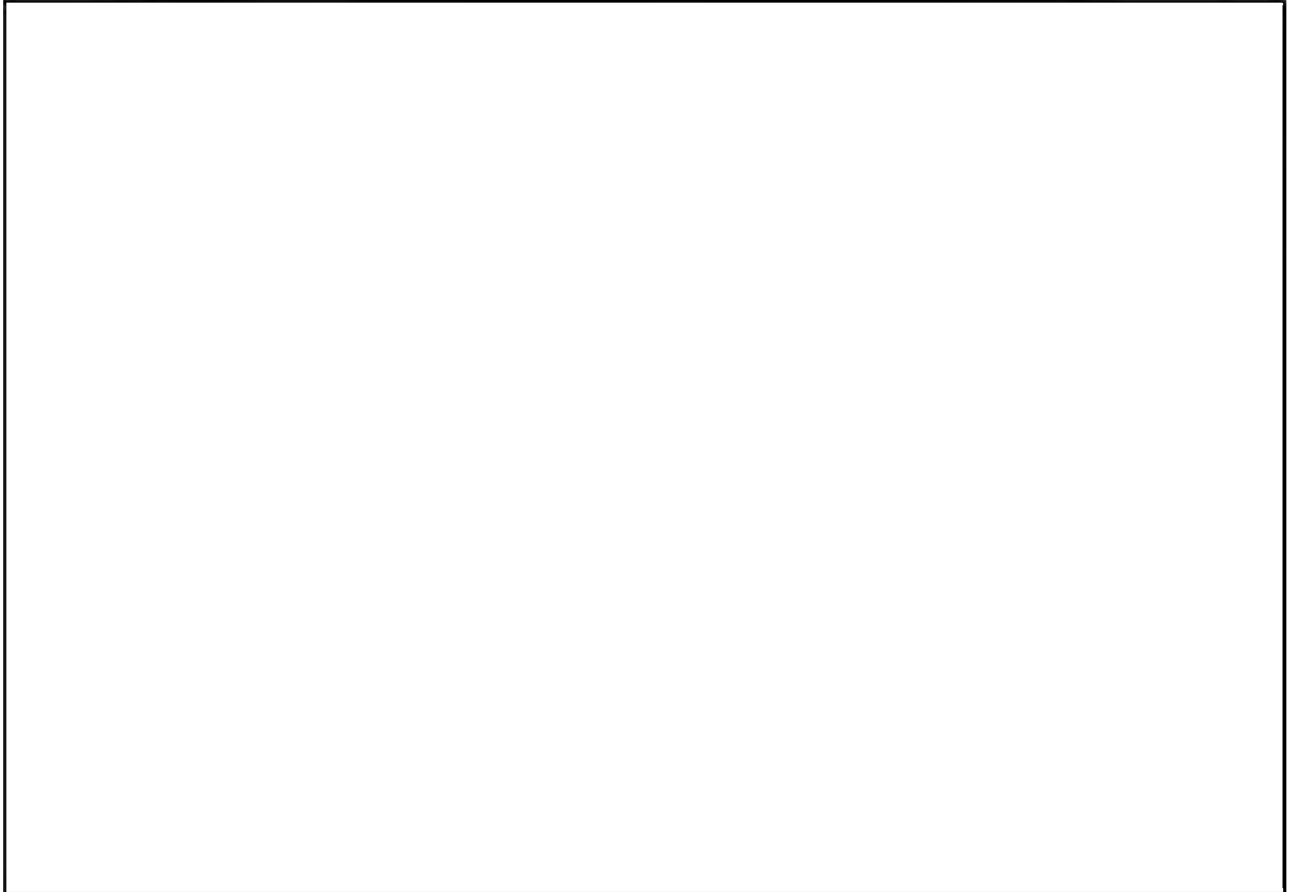
[redacted] //The small African states do not want to offend the OPEC countries and thereby risk losing the little aid they receive, even though their prospects for getting more assistance are not all that good. Prosperous Southeast Asian countries such as South Korea and Taiwan would not want to diminish their small influence among developing countries by joining in a US-sponsored appeal to OPEC. [redacted]

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PORTUGAL: Political Tensions

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[Redacted] //Portuguese Social Democratic leader Sa Carneiro's tactics have stymied efforts to work out an accommodation between his party and the minority Socialist government. Although President Eanes apparently believes the government will eventually fall of its own weight, he is not likely to push Prime Minister Soares toward resignation.//

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[Redacted] Sa Carneiro's resignation from the party presidency-- a tactic designed to prevent his party from lining up with the Socialists behind the measures being insisted on by the IMF-- has halted negotiations between the two parties. The Social Democratic national committee was to meet yesterday to discuss

its predicament, and there appeared to be a good chance that Sa Carneiro would receive substantial backing for his tough line against accommodating the Socialists.

25X1 [] Some party leaders are seeking to dissuade Sa Carneiro-- the party's best-known figure--from walking out. They want to convince him to accept an interim agreement that would allow the Socialists to complete arrangements with the IMF, and insure the passage of next year's budget in the legislature. Sa Carneiro is insisting on a coalition government and is using nationalistic rhetoric, warning against sacrificing Portuguese sovereignty to obtain IMF credits.

25X1 [] It seems unlikely that Sa Carneiro will be able to persuade the party as a whole to follow his line. A split in the party--either open or behind the scenes--is a much stronger possibility. In that case, the opposition parties would be in an even worse position to challenge the government, and Soares' political position would be strengthened.

25X1 [] In the past, Soares has been confident that he could win the support necessary to implement the austerity program by playing the opposition parties off against each other while making minimal concessions to them. This optimism is likely to reassert itself before long. The Socialists are already talking of making an attractive offer to the Center Democrats for centrist support and believe they can count on the Communists for parliamentary support in a pinch.

25X1 [] //President Eanes will probably provide Soares with some needed encouragement. The President apparently has no intention of removing Soares; he is likely to press the opposition parties to support or tolerate the Socialists until the situation settles down.

25X1 [] Eanes is sensitive to the grumbling within the military that he should take a stronger role, but he is even more wary of inciting fears of military dictatorship should he move without exhausting all the alternatives.

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USSR: Moscow Weapons Parade

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[redacted] Among the weapons the Soviets displayed for the first time in the annual military parade in Moscow on Monday were a new tank, an antitank missile, and two self-propelled howitzers. Only tactical equipment was on display.

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[redacted] The tanks in the parade have different track and road wheels and probably have a heavier suspension system. In addition, the position of the gunner's infrared light has been shifted and there has been some rearrangement of the external fuel tanks. The tanks in the parade probably have a smooth bore gun.

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[redacted] The Soviets also paraded a new tube-launched antitank missile [redacted] Five missiles were mounted [redacted] on a wheeled amphibious vehicle that has served as a launch vehicle for previous antitank missiles. It may be that the new missile is the Soviet antitank missile known as the Fagot, [redacted]

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[redacted] Some press reports assert that these howitzers have a nuclear capability. The Soviets may have the technological capability to produce a nuclear round for the 152-mm weapon. We believe it unlikely, however, that their forces in the field actually have such a round for this particular weapon. It is doubtful that the Soviets could produce a nuclear round for the 122-mm gun. [redacted]

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POLAND: Political Infighting

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[redacted] An attack in a major Warsaw daily on one of the Polish Communist Party's most prominent liberals is the clearest sign to date that political infighting is intensifying as a consequence of the country's economic problems. The attack suggests that conservatives within the party are warning party leader Gierek that they will fight any significant economic reforms.

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[] The conservatives have not attacked Gierek's own policies; indeed, they suggest that the economy can be made right by implementing present policies better. But by attacking the liberals publicly, they have increased the odds of a significant political fallout from the struggle.

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[] The target of the attack--printed in the daily *Zycia Warszawy* on Tuesday--was Mieczyslaw Rakowski, chief editor of the influential weekly *Polityka*. In the past, this daily has been the prime mouthpiece for conservative interests. Rakowski has been a supporter of Gierek, but the party chief has not adopted Rakowski's reforms nor identified himself with them.

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[] Rakowski has been arguing for structural changes in the economy. In an article in his weekly in September, he said that economic methods that once worked well are now ineffective and must be changed to "enforce rational economy." He also called for changes that would give the people a genuine sense of participation in running the country.

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[] The attack on Rakowski used the kind of ideological criticism not generally seen since Gierek came to power in 1970. The author, an unknown academic in the Central Committee's school of higher social sciences, said that to follow Rakowski's advice on decentralization of the economy would be "revisionist" and go contrary to democratic centralism.

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[] The attack on Rakowski comes as preparations are being made for a party conference in January. Proposals for overcoming Poland's economic malaise are now being drafted for the conference.

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WEST GERMANY - USSR: Obstruction

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[] The obstruction last week of an official motorcade in West Berlin by a patrolling Soviet military sedan was the first such incident in the western portion of the city. The Soviets interfered with the motorcade probably because it was for the visiting president of the European Parliament and underscored West Berlin's relations with that body, to which the Soviets strongly object. The incident also may have been a ploy to help force negotiations on the issue of Allied flag patrols in East Berlin.

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[] The "flag tours" in East Berlin are visual reminders of the continuing four-power status of greater Berlin. Each of the three Allies conducts several tours of East Berlin every week. The East Germans and Soviets resent the conspicuous Allied presence, which dilutes their claim that East Berlin is the sovereign capital of East Germany. The Soviets made a formal demarche last April demanding that these Allied patrols cease; they have since repeated their complaints to diplomatic contacts.

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[] When the Western Allies reaffirmed their right to patrol in East Berlin, the Soviets stepped up their patrols in the Western sectors, perhaps with the long-term objective of creating the basis for a trade-off in which they would agree to reduce their patrols in West Berlin in return for corresponding Western concessions in East Berlin.

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[] The interference with the motorcade for the visiting European Parliament president, however, may have received somewhat more attention than the Soviets wished, and they now appear to be backing away from such harassment for the time being. []

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BRIEFS

South Africa

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[] The South African Government, continuing its campaign to crack down on urban black unrest, arrested 626 people yesterday in Atteridgeville, a black suburb of Pretoria. The township has been a center of recent student agitation, and

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about 200 of those detained by the police were minors. More than 400 were held for violating the South African "pass laws," under which every black over the age of 16 is required to carry a pocket-sized reference book containing the carrier's life history and permits showing where he or she can live or work.

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[redacted] Last week, the government announced a modification of the pass book system, which is detested by blacks, but the changes appear to deal chiefly with the visible symbols of the system and not with the restrictions it enables the government to impose. [redacted]

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China

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[redacted] //The long-vacant post of Commander of the Fuchou Military Region apparently has been given to Yang Cheng-wu, former first-ranking Deputy Chief of China's General Staff. Though not specifically identified as commander, Yang was listed this Wednesday at the head of the military region's leadership. Yang's predecessor was killed in a plane crash in July 1976 during a military exercise in southern Fukien Province.//

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[redacted] //Yang, a native of Fukien, is the most experienced and highest ranking commander ever sent to this militarily sensitive region opposite Taiwan. The region has been plagued for several years by severe factional problems. Though Yang may retain his title as Deputy Chief of Staff, he has apparently been replaced as senior deputy by former Sinkiang Military Region Commander Yang Yung. [redacted]

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[redacted]

Cyprus

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[redacted] Glafkos Clerides, the former Greek Cypriot negotiator with the Turkish Cypriots and leader of the conservative Democratic Rally party, will run for the presidency in the February

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election, according to a Cypriot radio broadcast. This suggests that Greek Cypriot center-rightists have failed to unite behind a nonpolitical personality who could counter the formidable center-left alliance of President Spyros Kyprianou. Clerides' own effort to draw Kyprianou, who is serving out the remainder of the late President Makarios' term, away from the left apparently has also failed.

25X1 [] Many members of the basically conservative Greek Cypriot establishment dislike Kyprianou. They fear he will be too responsive to the strong Communist party and too indecisive in negotiations with the Turks if he is elected for a full five-year term. Their temporizing, coupled with Clerides' growing belief that he can recoup the prestige he enjoyed before his clash with Makarios over Greek Cypriot policy in the inter-communal talks, may have persuaded him to challenge Kyprianou on his own. The situation is still in flux, however, and there may be further political realignments before election day.

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